

BASIC SANITATION PROGRAM FOR SMALL MUNICIPALITIES

(BO-0175)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Bolivia

EXECUTING AGENCY: Ministry of Housing and Basic Services (MVSb)

AMOUNT AND SOURCE: IDB (FSO): US\$40 million
Local counterpart funding: US\$16 million
Total: US\$56 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 40 years
Disbursement period: 5 years
Interest rate: 1% for the first 10 years and 2% for the next 30 years
Inspection and supervision: 1%
Credit fee: 0.5% annually on the undisbursed balance

OBJECTIVES: The objectives of the proposed program are: (i) to increase the coverage and quality of basic sanitation services in communities of up to 5,000 inhabitants; (ii) enhance the operational ability of the municipalities and of other executing entities and operators of these projects; and (iii) make basic sanitation services self-sustaining over the medium and long terms, by involving the community in the preparation, execution and operation of basic sanitation projects.

DESCRIPTION: The program will include the following components: (i) water supply and sanitation projects in communities of up to 5,000 inhabitants throughout the country (US\$37.3 million); (ii) community development, so that the community can participate in the preparation, execution, operation and maintenance of projects constructed using program resources, through courses and seminars to ensure the sustainability of the services (US\$4.5 million); and (iii) institutional strengthening of municipalities and basic sanitation and housing units (UNAS BVIs), with funding for consulting services to train staff responsible for technical assistance and for equipment needed to establish a database for the sector (US\$3.5 million).

**SOCIAL AND
ENVIRONMENTAL
REVIEW:**

Taking into consideration the recommendations of the CESI, the program has the following characteristics:

(i) the cost of measures to mitigate negative impacts is included in the costs of the works; (ii) municipalities participating in the program have to demonstrate that they have the installed capacity to implement the environmental management system envisaged in the program and the commitment to maintain it, at the agreed levels; (iii) the operating regulations include the environmental control procedures to be used and the mechanisms to prevent gender discrimination, by ensuring that women participate in the water committees; and (iv) programs and materials adapted to the various idiosyncracies and languages of the country will be used in the community development component, in order to avoid communication problems, given that most of the beneficiaries of the program are members of indigenous groups.

BENEFITS:

With program execution, the following benefits will be achieved: (i) expand the coverage of rural water supply and sewerage systems to approximately 450,000 persons, through some 1,000 self-sustainable systems; and (ii) reduce the incidence of waterborne diseases by 10% in the communities served.

RISKS:

The main risks of the operation are:

1. Operation of the institutional framework. Taking into account the many stakeholders involved in the execution of the program, there is a risk of delays in execution. However, this risk would be minimized by the MVSb's experience in executing a similar program (PROSABAR). In addition, it is anticipated that part of that program's staff will be incorporated into the program's executing unit, which will be supported by a management agency. Furthermore, the UNASBVIS will be augmented by the hiring of technical staff for the execution of the program.

2. Fees, operation and maintenance. There is a risk that once the works are completed, they will not be properly maintained due to a lack of funds generated by fees, and/or from insufficient technical capacity for large-scale maintenance. Experience in the execution of the PROSABAR project suggests that, with the community development component, there is a lower risk that the communities will fail to pay the fees; thus, there would be resources for maintenance. In terms of technical capacity, the MVSb is introducing the Sanitation Information and Technical Assistance Network (RIATS) at the municipal level to support

communities in the operation of the systems and large-scale maintenance. Municipalities must belong to the RIATS to be eligible for the program.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The objective of the Bank's operating strategy in Bolivia is to support the efforts of the government to reduce poverty, including support for actions to improve access to basic services in education, health, sanitation and housing. The strategy includes three lines of action: (i) economic growth and generation of opportunities; (ii) development of human capital and access to basic social services; and (iii) support for governance and consolidation of reforms. This operation has a direct bearing on the second line of action.

The Bank's strategy for the sector is to support the government in its efforts to improve the health conditions of the population and consolidate reforms, especially in the decentralization process. The proposed program fits within this strategy, since it would finance the rehabilitation and introduction of rural water supply and sanitation projects, strengthen entities in the sector and provide training to the participating communities.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the initial disbursement, the executing agency shall provide evidence, to the Bank's satisfaction, that: (i) the executing unit, with basic personnel to operate it and a timetable for incorporating additional staff, has been established (paragraph 3.2); (ii) the program's management agency has been selected (paragraph 3.5); (iii) operating regulations for the program, agreed upon with the Bank, have entered into force (paragraph 3.8); and (iv) the specialized firm that will concurrently supervise the program has been contracted (paragraph 3.7).

Other special conditions for the operation would be: (i) prior to the participation of each prefecture, evidence that the latter has signed an agreement with the MVSb based on a model agreement previously agreed upon with the Bank; (ii) prior to the participation of each municipality, evidence that the latter has signed an agreement with the MVSb based on a model agreement previously agreed upon with the Bank (paragraph 3.7); and (iii) prior to issuing the call for bids for the works, the management agency for the program will have been hired (paragraph 3.7).

The MVSb has requested that the Bank recognize, as local counterpart, expenditures related to program preparation of up to the equivalent of US\$1,270,000.

Such expenditures, incurred after June 8, 1998, would be recognized if they fulfilled the requirements established in the loan contract (paragraph 3.32).

**POVERTY-TARGETING
AND SOCIAL POLICY
CLASSIFICATION:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty targeted investment (PTI) (see paragraph 5.36). The borrower will not be using the 10 percentage points in additional financing to which it would be entitled.

**EXCEPTIONS TO
BANK POLICY:**

None

**PROCUREMENT OF
GOODS AND
CONTRACTING OF
WORKS AND
CONSULTING
SERVICES:**

Current Bank policy will apply for procurement of goods and contracting of works and consulting services to be financed with program resources. When the Bank's financing resources are used, the minimum amounts above which procurement will be done through international competitive bidding will be: US\$2 million for works and US\$250,000 for goods and related services. Contracts for consulting services involving amounts above US\$200,000 will require international competitive bidding.